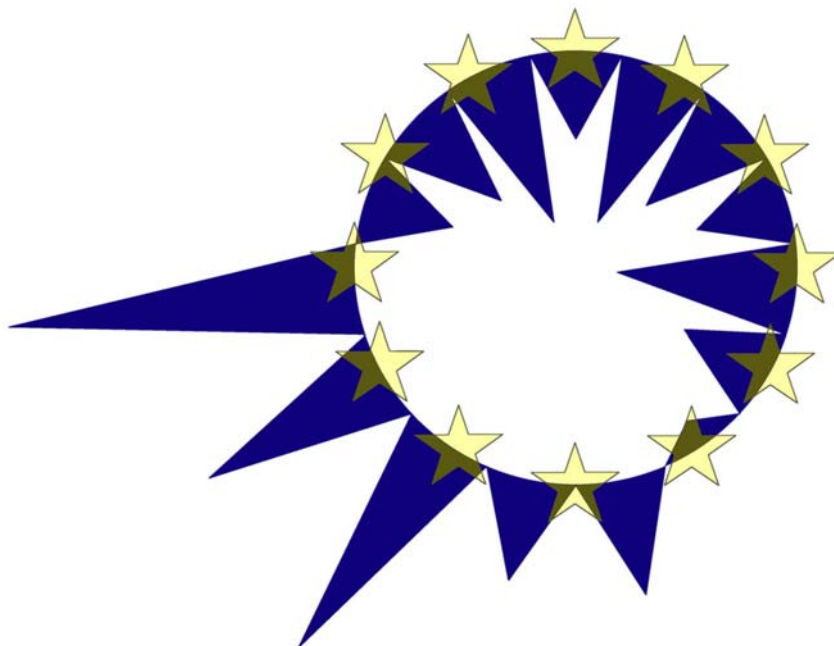


EUROMOD

COUNTRY REPORT



EUROMOD Country Report

THE NETHERLANDS
(2003 TAX-BENEFIT SYSTEM)

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Euromod Country report - The Netherlands

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not to be quoted

comments welcome

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1. Tax-benefit system - outline

The purpose of this report is to document the tax-benefit model Euromod as it has been developed to model the tax-benefit system of the Netherlands. Put extremely briefly, Euromod, using as data the income components as discussed in chapter 3, adds simulated benefits (section 2.1) and deducts social insurance contributions (section 2.2) and income tax (section 2.3) to compute disposable income.

In this introductory chapter we summarize the dutch tax benefit system in a few paragraphs. In these paragraphs, entries in *italics* refer to benefits and contributions simulated by Euromod.

1.1 Income components, benefits

Next to, or, usually, instead of earned income (wages, profits, property income) persons in the Netherlands may be entitled to earnings-replacing benefits, such as unemployment and disability benefits. *Unemployment benefits* are paid to employees when they lose their job, disability benefits are paid to employees when they lose their ability to work, after one year of sickness. (Employers are obliged to pay their employees at least 70% of their wage during the first year of sickness). Upon retirement before the age of 65 most employees are entitled to employer provided early retirement pensions, after the age of 65 all residents are entitled to a (flat rate) *State pension*. In addition to state pensions, most retired employees receive additional occupational pensions.

Couples and single parents with dependent children aged below 18 are entitled to *Child benefit*. Above 18, students receive scholarships as well as student loans. Widow(er)s aged below 65 may be entitled to *Survivors' benefits*. Single persons, couples and single parents with low or no other means of existence may be entitled to *Social Assistance Benefits*. Tenant households who pay a relatively high rent (within limits) given their (net) income can be eligible for *Rent Subsidy*.

1.2 Taxes and contributions

To pay for all these benefits taxes and social insurance contributions have to be paid. Unemployment benefits and disability benefits are paid out of *employee and employer contributions to unemployment insurance*, and *employer contributions to disability insurance*. Self-employed pay the *self-employed contribution to disability insurance*. In addition, employees and persons receiving benefits may have to pay *employee contributions to health insurance* while their employer or benefit agency may be paying *employer contributions to health insurance*.

The basis for calculating *employee contributions to peoples' insurance contributions* is the same as the basis for the calculation of *income tax* (from 2001: income from work and owned accommodation, Box 1). The *earnings transfer allowance* which employees and persons in receipt of most benefits, aged below 65, received to compensate them for increases in these contributions, was abolished from January 2001. Taxable income is calculated taking into account most of the above mentioned income components (except child benefit and rent subsidy), deducting employee

contributions to unemployment insurance and self-employed contributions to disability insurance, but adding employer contributions to health insurance, (and before 2001, the earnings transfer allowance). There are other *income tax deductions* (*mortgage interest*). The remaining taxable income is subject to a four-bracket *income tax schedule*, but, depending on the circumstances of the tax-payer, *tax-credits* are awarded for income tax and peoples' insurance contributions. From 2001, *income tax free allowances* and some deductions (*professional deductions*) were abolished.

2. Tax-benefit system - Detailed description

In this chapter, we provide a description of relevant details of the tax-benefit system in the Netherlands, focusing on the way it has been modeled by Euromod. All entries in *italic* refer to the names of policy modules, parameters and conditions in the various Euromod parameter sheets, in particular *pol_NL.xls*. In a number of instances, we mention where we make simplifying assumptions for Euromod. All amounts pertain to the system valid on 30 June 2003 and are monthly unless otherwise noted. Where relevant, the values on 30 June 2001 and 30 June 1998 are mentioned between brackets.

Table 2.1 lists the relevant policy sheets in *pol_NL.xls*, and refers to the sections in which the various policies are described.

Table 2.1. Policies included in *pol_NL.xls*

section	Policy	Description
2.1.1	<i>SBEN_CB_NL</i>	child benefit
2.2.8	<i>ITeta_NL</i>	earnings transfer (no longer relevant in 2001)
2.1.2	<i>SBEN_survben_NL</i>	survivors' benefit
2.1.3	<i>SBEN_statepen_NL</i>	State Pension
2.1.4	<i>SBEN_IOAWch_NL</i>	SAB for unemployed aged 50-64 and disabled unemployed younger than 64 with children
2.1.4	<i>SBEN_SABch_NL</i>	sab for fam with children
2.1.4	<i>SBEN_IOAWnoch_NL</i>	SAB for unemployed aged 50-64 and disabled unemployed younger than 64 without children
2.1.4	<i>SBEN_SABnoch_NL</i>	sab for fam w/o children
2.2.1	<i>EESICui_NL</i>	employee contributions to unemployment insurance
2.2.3	<i>SESICdi_NL</i>	self employed contributions to disability insurance
2.2.6	<i>ERSIChi_NL</i>	employer contributions to health insurance
2.2.7	<i>SESIChi_NL</i>	self employed contributions to health insurance
2.3.2	<i>ITded_NL</i>	income tax deductions
2.3.5	<i>ITasset_tfa_NL</i>	asset tax free allowances
2.3.5	<i>ITbox3_NL</i>	income tax on capital income ("Box 3")
2.3.2	<i>ITintYattrib_NL</i>	Attribution of Interest Y to person with the highest earnings in tax unit (no longer relevant in 2001)
2.3.2	<i>ITdivYattrib_NL</i>	Attribution of Dividend Y to person with the highest earnings in tax unit (no longer relevant in 2001)
2.1.5	<i>SBEN_HB_NL</i>	Rent Subsidy
2.3.4	<i>ITtfa_NL</i>	income tax free allowances (no longer relevant in 2001)
2.3.5	<i>ITschedule_NL</i>	income tax (schedule)
2.3.3	<i>ITtc_NL</i>	income tax credits
2.2.9	<i>EESICpi_NL</i>	employee contributions to (peoples) pensions insurance
2.2.5	<i>EESIChi_NL</i>	employee contributions to health insurance
2.2.4	<i>ERSICdi_NL</i>	employer contributions to disability insurance
2.2.2	<i>ERSICui_NL</i>	employer contributions to unemployment insurance
2.1.4	<i>SBEN_NetCorr_NL</i>	Net Correction Amount - to be subtracted to get to 'exact' disposable income
2.1.4	<i>EESICui_NL_SAmembers</i>	Used for computing SA means: employee contributions to unemployment insurance
2.1.4	<i>SESICdi_NL_SAmembers</i>	Used for computing SA means: self employed contributions to disability insurance
2.1.4	<i>ERSIChi_NL_SAmembers</i>	Used for computing SA means: employer contributions to health insurance
2.1.4	<i>SESIChi_NL_SAmembers</i>	Used for computing SA means: self-employed contributions to health insurance
2.1.4	<i>ITded_NL_SAmembers</i>	Used for computing SA means: income tax deductions
2.1.4	<i>ITintYattrib_NL_SAmembers</i>	Used for computing SA means: Attribution of Interest Y to person with the highest earnings in tax unit

2.1.4	<i>ITasset_tfa_NL_SAm</i>	Used for computing SA means: asset tax free allowance
2.1.4	<i>ITbox3_NL_SAm</i>	Used for computing SA means: income tax on capital income
2.1.4	<i>ITdivYattrib_NL_SAm</i>	Used for computing SA means: Attribution of Dividend Y to person with the highest earnings in tax unit
2.1.4	<i>ITtfa_NL_SAm</i>	Used for computing SA means: income tax free allowances
2.1.4	<i>ITschedule_NL_SAm</i>	Used for computing SA means: income tax (schedule)
2.1.4	<i>ITtc_NL_SAm</i>	Used for computing SA means: tax credits
2.1.4	<i>EESICpi_NL_SAm</i>	Used for computing SA means: employee contributions to (peoples) pensions insurance
2.1.4	<i>EESIChi_NL_SAm</i>	Used for computing SA means: employee contributions to health insurance

In addition pol_NL.xls contains a number of worksheets used for the simulation of unemployment benefits. These are not used in the baseline runs of Euromod.

2.1 Benefits simulated by Euromod

2.1.1 Child benefits (policy *SBEN_CB_NL*)

Eligibility:

Parents (including foster-parents) are eligible for child benefits for children aged less than 18 but eligibility for children aged above 15 (*cd_agelow*) but less than or equal to 17 (*cd_agehigh*) requires that they are in education (*cd_InFTed*) (at least 213 hours per quarter), or unemployed (*cd_Unemp*), or at least 45% disabled (*cd_Disabled*). Moreover, the parents should contribute to the sustenance of the children to an important extent, which translates to the condition that the income of the children in this age group should be less than €1175 + 1050/4 (2001: 1,091.34 + 839.49/4; 1998: 1,039.61) net per quarter or €479.17 (2001: 363.78 + 69.96; 1998: 346.54) per month (*cd_ge_Inc_lt*). ** needs updating for 2001 in tu_nl!

Calculation of payment:

The base amount is € 174.35 (2001: 163.41; 1998: 142.79) per quarter (*SingPay*). Different multipliers apply depending on whether the child was born before or after (and including) 1994. If born before October 1st, 1994, the multiplier depends on both parity and age:

AGE	Number of Children									
	1	2	3	4	5	6	7	8	9	10+
6 to 11	1.2143	1.3717	1.4241	1.5394	1.6086	1.6547	1.6876	1.7480	1.7950	1.8325
<18	1.4286	1.6138	1.6754	1.8111	1.8925	1.9467	1.9855	2.0565	2.1117	2.1560

If born after October 1st, 1994, the amount depends only on age:

AGE	
<6	1
6 to 11	1.2143
<18	1.4286

The resulting multiplier table valid for 2003 is as follows:

	1	2	3	4	5	6	7	8	9	10+
<=5	1	1	1	1	1	1	1	1	1	1
6 to 8	1.2143	1.2143	1.2143	1.2143	1.2143	1.2143	1.2143	1.2143	1.2143	1.2143
9 to 11	1.2143	1.3717	1.4241	1.5394	1.6086	1.6547	1.6876	1.7480	1.7950	1.8325
12 to 17	1.4286	1.6138	1.6754	1.8111	1.8925	1.9467	1.9855	2.0565	2.1117	2.1560

In Euromod, the entries for the third and fourth row of this table are approximated by multiplying the parameters of the first column:

<i>es_nl_age_3</i>	1.2143
<i>es_nl_age_4</i>	1.4286

with those of the third row divided by 1.2143:

<i>es_nl_parity_a1</i>	1
<i>es_nl_parity_a2</i>	1.12960669
<i>es_nl_parity_a3</i>	1.172773101
<i>es_nl_parity_a4</i>	1.26772031
<i>es_nl_parity_a5</i>	1.324688636
<i>es_nl_parity_a6</i>	1.36266752
<i>es_nl_parity_a7</i>	1.389794282
<i>es_nl_parity_a8</i>	1.439515658
<i>es_nl_parity_a9</i>	1.478190069
<i>es_nl_parity_a10</i>	1.50913692

and separately as 1 for children aged less than 6 and 1.2143 for children aged 6 to 8. For the multiplication factors valid in 1998 and 2001 we refer to previous editions of this country report.

In Euromod, if both parents are present in the household, the child benefit is assumed to be shared among the parents (*co_sharing*).

No taxes/contributions are payable on child benefit. It is not included in the means test for the calculation of social assistance, rent subsidy and other benefits.

2.1.2 Survivor benefit (*SBEN_survben_NL*)

Eligibility:

Entitlement to the survivor benefit exists for the survivor (*NotWidowed*= -1) younger than 65 (*ge_age2_lt*) who:

- has an unmarried child younger than 18 who does not belong to somebody else's household (*ge_nOwnCh_inHH_lt* = 1) or
- is disabled for work for at least 45% (*IsDisabled1*) or
- was born before 1 january 1950 (*ge_age1_lt*)

The person who in his household takes care of a child of whom one parent has died is entitled to a 'half-orphan'-benefit (which is not calculated in Euromod)

Means test:

The survivor benefit is income dependent: income received 'in relation with' work (i.e. social insurance benefits) is deducted entirely (*widben_means*), but a part of income received from work (earnings, profits, private pensions: *widben_workY*) is exempt ($0.5 (=min_wage_ratio) * \text{the minimum wage (1998: including transfer allowance) of € 1249.23 (2001: 1,154.46; 1998: 1,051.05) per month(=min_wage)}$), plus a third ($=disreg_ratio$) of the remainder). In other words, the disregard equals:

$\max(0, disreg_ratio * (workY - min_wage_ratio * min_wage))$. As a result, the benefit is paid in full if income from work (1998: including transfer allowance) is below € 624.62 (2001: 577.23; 1998: 525.53), and zero if income from work is above € 2077.34 (2001: 1,915.50; 1998: 1,732.25). Notably, all these amounts are net of holiday allowance. In Euromod, it is assumed that in income from work and benefit income a holiday allowance of 8% ($= ha_pct$) is already included. The holiday allowance added to the survivor benefit is reduced by the same percentage by which the survivor benefit is reduced as a result of the means test.

In Euromod, private pensions received by males younger than 60 and females younger than 65 are assumed to be private survivor pensions, and, as such, counted as income 'in relation with' work (*widben_means<60*). Private pensions received by males aged between 60 and 65 are assumed to be old-age pensions, and counted as income received from work (*widben_workY<60*). Before 2001, the earnings transfer allowance (see section 2.2.7) received on income from or 'in relation with' work was to be included with the relevant income component, but no earnings transfer allowance was paid on the survivor benefit itself.

Amounts:

survivor benefit: € 1024.98 (2001: 944.81; 1998: 856.62) (*SingPay*) = € 968.48 (2001: 892.18; 1998: 804.48) (*max_benefit*) + € 56.5 (2001: 52.63; 1998: 52.14) holiday allowance (*holiday_allowance*);
 'half-orphan' benefit: € 220.29 + 16.13 (2001: 203.91 + 15.03; 1998: 192.26) per month.

Notably, the current survivor benefit act ('Algemene Nabestaandenwet', ANW) was introduced on 1 July 1996. Special rules apply for persons who were already survivor before that date, and for persons born between 1 January 1950 and 1 July 1956 who lost their partner before 1 July 1999. These special cases are not taken into account in Euromod.

2.1.3 State pension (*SBEN_StatePen_NL*)

Eligibility:

All residents aged 65 (*ge_age1_lt*) or above are entitled to the flat rate State Pension (AOW). If both spouses are above 65 they both receive (in net terms) slightly more than half the (net) minimum wage, whilst single persons receive about 70% of the minimum wage. Persons with a spouse younger than 65 (*le_age1_lt = 64*) receive 50% of the minimum wage with a supplement of at most 50% of the minimum wage. The supplement depends on the means of the younger spouse.

For every year between age 15 and 65 the pensioner lived abroad the State Pension is reduced by 2% (however, reductions are not taken into account in Euromod).

Means test:

The means to be taken into account in the calculation of the State Pension are the means of the younger spouse (aged ≤ 64 , *le_age1_lt*).

Means (*statepen_means*) = $\max(0, \text{Income 'in relation with' work (i.e. benefits) (1998: including earnings transfer allowance, sec. 2.2.7)})$
 + $\max(0, 2/3 * \max(0, \text{Income from work} - 0.15 * \text{gross minimum wage (1998: incl. e.t.a.)})$.

In other words, there is a disregard of

$\max(0, 1/3 (= \text{disreg_ratio}) * (\text{Income from work} (= \text{statepen_workY}) - 0.15 (= \text{min_wage_ratio}) * \text{gross minimum wage (1998: incl. e.t.a.)})$

Gross minimum wage (*=min_wage*) = €1249.23 (2001: 1,154.48; 1998: 1,051.05)

Notably, these amounts are net of holiday allowance. In Euromod, it is assumed that in income from work and benefit income a holiday allowance of 8% (= *ha_pct*) is included. The holiday allowance added to the supplement of the state pension is to be reduced by the same percentage as the supplement.

Private pensions are counted as income in relation with work

Amounts:

Amounts for the state pension (per month):

Single, 65+: €906.14 (2001: 831.36; 1998: 736.63) + €44.61 (2001: 41.62; 1998: 40.53) holiday allowance = €950.75 (2001: 872.98; 1998: 777.15) (*SingPay*)

Married/cohabiting, 65+ €622.26 (2001: 572.25; 1998: 507.74) + €31.86 (2001: 29.73; 1998: 28.95) = €654.12 (2001: 601.98; 1998: 536.69) (*SingPay*)

Supplement if spouse < 65: at most €622.26 (2001: 572.25; 1998: 507.74) (*max_benefit*) + €31.86 (2001: 29.73; 1998: 28.95) (*holiday_allowance*)

Supplement = max (0, maximum supplement - means of younger spouse)

The latter amounts are valid for pensions started from 1 July 1996. For pensions started earlier, rules for persons with a spouse aged < 65 differ to some extent (not taken into account in Euromod). If the pension started between 1-2-1994 and 1-6-1996, the person with a spouse < 65 receives €906.14 (2001: 831.36; 1998: 736.63) + €44.61 (2001: 41.62; 1998: 40.53) hol. all. + a supplement of max. €338.38 (2001: 313.14; 1998: 278.86) + €19.11 (2001: 17.84; 1998: 17.38). If the pension started before 1-2-1994 these amounts are also valid, but no distinction between income from work and other means of the younger spouse is made in the calculation of the supplement: all income is counted as income from work.

2.1.4 Social Assistance Benefits (*SBEN_IOAWch_NL*, *SBEN_SABch_NL*, *SBEN_IOAWnoch_NL*, *SBEN_SABnoch_NL*)

1. Social assistance (*SBEN_SABch_NL*, *SBEN_SABnoch_NL*)

Eligibility:

A benefit unit (couple, single person, lone parent) is eligible for social assistance if

- a. they are not a student (*InEd* = -1) and
- b. if single, assets are less than single asset limit of €4975 (2001: 4,673.94; 1998: 4,401.67) (*le_capital_lt*)
- c. if married/cohabiting/lone parent, assets are less than married asset limit of €9950 (2001: 9,347.87; 1998: 8,803.34) (*ge_capital2_lt*)
- d. aged 18 or over (*ge_age2_lt*) or
- e. a parent (Note: Even if a parent, persons below 18 are not generally entitled)

Self-employed persons (*IsSelfemployed1*, *IsFarmer1*) with (temporary) low incomes (which includes those in receipt of the separate social assistance benefit for selfemployed (variable *nLBENUBZ*)) are not entitled to the regular SAB.

Amounts:

a. Couples with children

€1136.97 (2001: 1,051.82; 1998: 464.97 + 464.97) (if both aged 21-64) :
€1188.58 (2001: 1,091.18; 1998: 968.52) (if both 65+)
€1198.01 (2001: 1,108.24; 1998: 943.41) (if one 65+, one 21-64)
€620.33 (2001: 573.85; 1998: 507.35) (if both 18-20)
€992.35 (2001: 918.02; 1998: 811.64) (if one 18-20, one 21+)

polSBEN_SABch_NL:

SingPay * (*es_head_age1* if head aged between 18 (*es_head_age1_min*)
and 20 (*es_head_age1_max*)
+ *es_head_age2* if head aged between 21 and 64
+ *es_head_age3* if head aged above 65
+ *es_spouse_age1* if spouse aged between 18 and 20
+ *es_spouse_age2* if spouse aged between 21 and 64
+ *es_spouse_age3* if spouse aged above 65
+ *es_both_age1* if both aged between 18 and 20
+ *es_both_age3* if both aged above 65)

b. Couples without children

€1136.97 (2001: 1,051.82; 1998: 464.97 + 464.97) (if both aged 21-64) :
€1188.58 (2001: 1,091.18; 1998: 968.52) (if both 65+)
€1198.01 (2001: 1,108.24; 1998: 943.41) (if one 65+, one 21-64)
€392.94 (2001: 363.49; 1998: 321.36) (if both 18-20)
€764.96 (2001: 707.66; 1998: 625.65) (if one 18-20, one 21+)

polSBEN_SABnoch_NL:

SingPay * (*es_head_age1* if head aged between 18 (*es_head_age1_min*) and 20
(*es_head_age1_max*)
+ *es_head_age2* if head aged between 21 and 64
+ *es_head_age3* if head aged above 65
+ *es_spouse_age1* if spouse aged between 18 and 20
+ *es_spouse_age2* if spouse aged between 21 and 64
+ *es_spouse_age3* if spouse aged above 65
+ *es_both_age3* if both aged above 65)

c. Lone Parent

€795.88 (2001: 736.28; 1998: 650.97) + €227.39 (2001: 210.36; 1998: 185.99) (if
21-64)
€1072.27 (2001: 986.99; 1998: 870.12) (if 65+)
€423.86 (2001: 392.11; 1998: 346.67) (if 18-20)

polSBEN_SABch_NL:

SingPay * (*es_head_age1* if head aged between 18 and 20
+ *es_head_age2* if head aged between 21 and 64
+ *es_head_age3* if head aged above 65
+ *es_lp_age1* if head aged between 18 and 20
+ *es_lp_age2* if head aged between 21 and 64
+ *es_lp_age3* if head aged above 65)

d. Single person

€568.49 (2001: 525.91; 1998: 464.97) + €227.39 (2001: 210.36; 1998: 185.99) (if really living alone) (21-64)
€844.88 (2001: 776.62; 1998: 684.13) (if 65+)
€196.47 (2001: 181.74; 1998: 160.68) (if 18-20)

polSBEN_SABnoch_NL:

SingPay * (*es_head_age1* if head aged between 18 and 20
+ *es_head_age2* if head aged between 21 and 64
+ *es_head_age3* if head aged above 65
+ *es_livealone_age2* if living alone, aged between 21 and 64
+ *es_livealone_age3* if living alone, aged above 65)

Means Test:

The income base for the means test (*sbem_means*) consists of all other employment income, benefits and pensions except child benefits and rent subsidy. Because the benefit is calculated as a net (after tax) amount, this requires the calculation of the taxes (*out_inctax*) and s.i.c.'s (*out_eesic*) on all other income components before the entitlement to Social Assistance can be calculated. Notably, Social Assistance is subject to s.i.c.'s and income tax as well. It is paid out as a net amount, on top of which the municipalities pay taxes and social insurance contributions directly to the relevant authorities.

So, to obtain net means, income taxation and social insurance contributions payable on gross means have to be calculated. In Euromod, this is done by a preliminary run through the policy modules designed to compute income taxation and social insurance contributions, specifically for the purpose of calculating the means taken into account for the calculation of social assistance (*EESICui_NL_SAmmeans* ... *EESIChi_NL_SAmmeans*). The withdrawal rate is 100%¹.

In the case of a couple, the resulting net S.A. amount is supposed to be shared equally among both spouses (module *co_sharing*).

Next, gross social assistance is approximated, by applying grossing-up factors to net S.A. (module *nl_SBEN_SAnet2gross*): gross S.A. = *factor1**net S.A. (1998: gross S.A. = *factor2**(*factor1**(net.S.A.- remaining tfa) + remaining tfa), where 'remaining tfa' represents that part of the tax free allowance (see section 2.3.3) which exceeds taxable income from non-SA sources.)

Finally, as described in the sections 2.2 and 2.3., total income taxation and social insurance contributions are calculated (payable on income including gross social assistance). Because of the approximation of gross SA, in addition to deducting income taxation and s.i.c.'s, a correction to the resulting amount of net social

¹ In exceptional cases (not taken into account in Euromod) (persons 57.5 - 64, single parents with child younger than 5, persons who are deemed to be dependent on part-time jobs for medical or social reasons) municipalities may allow that min(inc, €89 (2001: 82.13, 1998: 71.70)) + (if inc > €89 (2001: 82.13, 1998: 71.70)): (50% of min(163 (2001: 150.66, 1998: 132.96), inc) - 89 (2001: 82.13, 1998: 71.70)) per month can be earned without consequences for the SAB. Furthermore the interest received on assets below the asset-limit is not taken into account. Some lump sum benefits for necessary education and for accepting a job are not taken into account.

assistance as calculated by Euromod has to be applied so that the resulting disposable income is correct (policy *SBEN_NetCorr_NL*).

2. IOAW (*polSBEN_IOAWch*, *polSBEN_IOAWnoch*)

Persons aged below 65 who became unemployed after age 50 and exhausted their entitlement to (earnings related) unemployment benefits are entitled to a separate social assistance benefit: IOAW². The difference with the general SAB (ABW) is that no asset test is applied to calculate the entitlement for IOAW. The IOAW also applies to persons partially disabled for work, younger than 50, who were already disabled for work at age 17 and who are receiving a disability benefit (Wajong) based on their partial disability (< 80%). In Euromod, IOAW is calculated in *polSBEN_IOAWch* and *polSBEN_IOAWnoch*.

2.1.5 Rent subsidy (*SBEN_HB_NL*)

Tenant households with high (but not too high) rents given their income are entitled to rent subsidy. For the subsidy year running from 1-7-2002 to 30-6-2003 the income basis is the taxable income for the year 2001. There is also an asset test (no rent subsidy if household assets on 1-1-2002 above certain amounts). Assets comprise of: bank accounts and savings accounts, cars, caravans, motorcycles, other possessions, minus debts.

Computation of rent subsidy (amounts per month):

If the actual rent is between €167.32 (2001: 162.00; 1998: 149.75) (*lo_rent_lt*) and 565.44 (2001: 521.39; 1998: 492.35) (*up_rent_lt*) per month, the norm rent depends on the age and the number of persons in the household and the taxable income. It can be derived from table 2.2 below. The monthly rent subsidy is then calculated as follows:

a. norm rent < actual rent < €307.49 (2001: 287.70; 1998: 260.92)(*rent1_lt*):

subsidy = actual rent - norm rent

b. norm rent < actual rent & €307.49 (2001: 287.70; 1998: 260.92) < actual rent < B.

(B= €440.12 (2001: 412.03; 1998: 373.46) (1,2pers), (*rent21_lt*), B= €471.67 (2001: 441.53; 1998: 400.23) (3+ pers) (*rent22_lt*):

subsidy = 0.75(*subsidy2_rt*)*(actual rent - max (norm rent, 307.49 (2001: 287.70; 1998: 260.92))) + max (0, 307.49 (2001: 287.70; 1998: 260.92)- norm rent)

c. norm rent < actual rent & Actual rent > B:

² Since the eligibility for IOAW can only be approximated (in particular the age at which one became unemployed is not registered in the data) Euromod probably overestimates the number of persons receiving IOAW and underestimates ordinary SAB.

subsidy = 0.5(=subsidy3_rt)* (actual rent-max (B, norm rent)) + 0.75*max(0,B-max(norm rent, 307.49 (2001: 287.70; 1998: 260.92))) + max (0, 307.49 (2001: 287.70; 1998: 260.92) - norm rent)

No subsidy if income higher than highest amounts in table or if actual rent above € 565.44 (2001: 521.39; 1998: 492.35) (*up_rent_lt*) or below 167.32 (2001: 162.00; 1998: 149.75) (*lo_rent_lt*).

There are four regimes depending on age and number of persons in the household:

A. 1-person hh. (<66 on 1-1-2002) (*age1 <=66(=le_Age1_lt)*) and not (*nPersInTu >=2(=ge_nPersInTu_lt)*)

C. multiperson hh. (*nPersInTu >=2*) in which more than half of income received by persons < 66 on 1-1-2002. The latter condition is assumed to be satisfied if the head is aged <= 66 in 2003. (*age1(head) <= 66*)

E. 1-person elderly hh. (66+ on 1-1-2002) (*age2 >=67*) and not (*nPersInTu >=2*)

G. multiperson elderly hh. (*nPersInTu >=2*) in which more than half of income received by persons 66+ on 1-1-2002 (*age1 >=67*)

Table 2.2. Norm rent given taxable income by regime

A		C		E		G	
inc. (year)	norm.rent (month)	inc. (year)	norm.rent (month)	inc. (year)	norm.rent (month)	inc. (year)	norm.rent (month)
<i>y_1 - y_22</i>	<i>norm_rent_1 - norm_rent_22</i>	<i>y_1 - y_28</i>	<i>norm_rent_1 - norm_rent_28</i>	<i>y_1 - y_17</i>	<i>norm_rent_1 - norm_rent_17</i>	<i>y_1 - y_22</i>	<i>norm_rent_1 - norm_rent_22</i>
11700	170.95	14950	170.95	11750	169.13	14650	167.32
11900	174.6	15000	171.53	11900	172.04	14675	167.69
12125	182.42	15225	174.65	12125	179.34	14900	171.22
12350	190.89	15450	179.81	12350	188.3	15125	177.67
12575	199.54	15675	185.05	12575	197.47	15350	184.23
12800	208.37	15900	190.36	12800	206.84	15575	190.9
13025	217.39	16125	195.75	13025	216.41	15800	197.69
13250	226.6	16350	201.21	13250	226.19	16025	204.6
13475	235.99	16575	206.75	13475	236.18	16250	211.62
13700	245.57	16800	212.36	13700	246.37	16475	218.76
13925	255.33	17025	218.05	13925	256.77	16700	226.01
14150	265.28	17250	223.81	14150	267.38	16925	233.37
14375	275.42	17475	229.65	14375	278.19	17150	240.86
14600	285.74	17700	235.57	14600	289.2	17375	248.45
14825	296.24	17925	241.55	14825	300.43	17600	256.16
15275	312.35	18375	250.68	15275	317.65	18050	267.95
15725	334.47	18825	263.11	15725	341.33	18500	284.06
16175	357.34	19275	275.84			18950	300.64
16625	380.95	19725	288.87			19400	317.67
17075	405.31	20175	302.2			19850	335.17
17525	430.4	20625	315.83			20300	353.12
17700	448.26	21075	329.76			20500	366.38
		21525	344				
		21975	358.53				
		22425	373.36				
		22875	388.5				
		23325	403.94				
		23750	419.23				

For the rent subsidy tables valid in 1998 and 2001 we refer to the previous editions of this country report.

Asset test (no rent subsidy if household assets greater than or equal to these amounts):
Assets on 1-1-2002.

1-person hh. (<65 on 30-6-2002): €19200 (2001: 18,378.55; 1998: 17,244.10)
(*ge_inc2_lt*)

multiperson hh. (all < 65 on 30-6-2002): €35200 (2001: 27,091.13; 1998: 25,412.15)

1-person hh. (65+ on 30-6-2002): €32850 (2001: 31,424.73; 1998: 29,496.17)

multiperson hh. (1 or more > 65 on 30-6-2002): €45475 (2001: 43,517.98; 1998:
40,840.67)

Asset disregard:

For children below 23 (*IsDepCh_of_HH*) up to €925 (2001: 907.56) (*disregard_amt*)
of their assets are not taken into account (module: *co_SBEN_CapDisregard*).

Income disregard:

For children below 23 up to €4100 (2001: 4,084.02) (*disregard_amt*) of their income
is not taken into account (module: *coSBEN_Disregard*).

Supplement:

In 1998 and 2001 households entitled to rent subsidy received a supplement
depending on the household composition (amounts in €/per month):

1.82 (*supp1_amt*) if alone,

3.63 (*supp2_amt*) if multiperson but no children aged < 18

18.15 (*supp3_amt*) if one or two children aged < 18

23.14 (*supp4_amt*) if three or more children aged < 18.

2.1.6. Unemployment benefit³ (*IBEN_ue_ext_NL*, *IBEN_ue_gen1_NL*, *IBEN_ue_gen2_NL*, *IBEN_ue_lor2_NL*, *IBEN_ue_fup1_NL*, *IBEN_ue_fup2_NL*)

The unemployment insurance benefit comprises three types of benefits:

- General benefit (*nl_iben_ue_gen*);
- Extended benefit (*nl_iben_ue_ext*)
- Follow-up benefit (*nl_iben_ue_fup*)

Entitlement to the follow-up benefit starts (only) at the end of the extended benefit.

The unemployment insurance scheme covers all employees under 65 (*ge_age1_lt*).
Self-employed are not covered.

1. Conditions for receipt :

- General benefit: at least 26 weeks of paid employment during the last 39 weeks.
- Extended and follow-up benefits: at least 26 weeks of paid employment during the last 39 weeks plus to have worked at least 52 days or more during at least four of the last five years. Notably, general benefit is received only if one is not eligible for extended benefit.

Notably, in Euromod, eligibility is assessed chiefly by checking who is actually in receipt of unemployment benefits (*nlBENWWU*) in the data.

2. Calculation of benefit amount :

³ The simulation of unemployment benefits is not included in the baseline simulation.

- General benefit : 70% of statutory minimum wage (€1349.17; 2001: 1,246.82; (average over) 1998: 1,123.52) per month for persons aged 23 or over), or 70% of previous earnings (*co_prvern*), whichever is lower ($nl_iben_ue_gen = \min (nl_iben_ue_gen1, nl_iben_ue_gen2)$);
- Extended benefit: 70% of previous earnings up to a maximum daily wage of € 165.63 (3602.45/month) (2001: 153.07 (3,329.35/month); 1998: 136.96 (2,978.98/month))
- Follow-up benefit : 70% of statutory minimum wage, or 70% of previous earnings, whichever is lower ($nl_iben_ue_fup = \min (nl_iben_ue_fup1, nl_iben_ue_fup2)$)

3. Payment duration :

- General benefit : 6 months
- Extended benefit : depending on age and employment record
Maximum: 5 years
Minimum: 6 months
- Follow-up benefits : 2 years, (people aged 57.5 and over on first day of unemployment: until 65th birthday)

Employment record (when relevant)

Number of years having been employed 52 or more days during last five years (i.e. 4 or 5) *plus* (if age > 22) number of calendar years since 18th birthday minus five. To calculate the employment record during the last five years, calendar years in which the person did not have paid employment but took care of children younger than 6 are also taken into account, as well as half of the years in which he/she took care of children aged between 6 and 12.

Employment record	Duration of extended benefit
4 years	6 months
5 –10 years	9 months
10 – 15 years	1 year
15 – 20 years	1.5 year
20 – 25 years	2 years
25 – 30 years	2.5 years
30 – 35 years	3 years
35 – 40 years	4 years
40 + years	5 years

Previous earnings: gross employment income (*coempy*) minus pension contributions (*copencon*) minus tax exempt savings (*nlsploon*).

Notably, when the total net household income (defined according to the means test for Social Assistance) is below the Social Assistance level, persons entitled to Unemployment Benefit are entitled to a supplement to reach the SA-level without an asset test, according to the *Toeslagenwet* ('extra allowances act') (this is comparable to the way the IOAW benefit is calculated). The extra allowance (*nl_iben_ue_eal*) is at most 30% of the minimum wage in the case of couples, 27 % in the case of single parents, and 21% in the case of single persons. During at most 2 years part of the income from work may not be taken into account when computing this extra allowance: 15% of the minimum wage.

No extra allowance is granted to single persons younger than 21 living with their parent(s), and to persons with a partner, when born after 31-12-1971 and not having a child younger than 12.

Minimum wage for persons younger than 23:

22: 85%, 21: 72.5%, 20: 61.5%, 19:52.5%, 18: 45.5%, 17: 39.5%, 16:34.5%, 15: 30%.

** information in this section to be completed **

2.2 Social insurance contributions

2.2.1 Employee contributions to unemployment insurance (*EESICui_NL*)

Employees in the private sector aged below 65 (*age_thresh*) are insured against (loss of income as a result of) unemployment, and pay, on average, a total contribution of 5.8% (2001: 5.25%; 1998: 6.45%) (*rate*) on wages between € 1239.75 (2001: 1,154.76; 1998: 1,026.45) (*lower_lt*) and €3588.75 (2001: 3,326.10; 1998: 2,970.79) (*maxbase*) per month. In 2001 and 2003 the same rules apply for public sector employees; in the past these rules used to be rather similar, in particular with respect to the consequences of changes in the contribution rates. In Euromod, public sector employees are not identified separately.

The basis for the calculation of unemployment insurance contributions (*UIeesic_Base*) includes next to gross wages net of (occupational) pension contributions and ‘spaarloos’, also wage replacing benefits such as unemployment and disability benefits. The relevant tax unit is the *individual*.

2.2.2 Employer contributions to unemployment insurance (*ERSICui_NL*)

Employers of employees in the private sector aged below 65 (*age_thresh*) pay, on average, a contribution of 1.3% (2001: 0.87%; 1998: 0%) (*rate1*) on wages below € 1239.75 (2001: 1,154.76; 1998: 1,026.45) (*maxbase1*), and a total contribution of 2.85% (2001: 4.52%; 1998: 6.35%) (*rate2*) on wages between € 1239.75 (2001: 1,154.76; 1998: 1,026.45) (*maxbase1*) and € 3588.75 (2001: 3,326.10; 1998: 2,970.79) (*maxbase2*) per month. For public sector employees in 2001 and 2003 rules are the same; in the past the rules were assumed to be similar.

The income basis for the employer contribution to unemployment insurance (*UIersic_Base*) is the same as for the employee contribution to unemployment insurance.

2.2.3 Self-employed contributions to disability insurance (*SESICdi_NL*)

The disability insurance for the self-employed (WAZ) is only relevant for persons aged below 65 (*age_thresh*). All self-employment income as well as income from work other than as an employee (e.g. free-lance income) is taken into account (“waz inc”: *DIsesic_base*) but there are complications if the person also has “other earnings” from paid employment, including earnings related benefits for which di-contributions are payable (*DIsesic_empY*).

In general, the contribution = 0.088 (2001: 0.088; 1998: 0.079)(= *rate2*) * max (0, min (upper threshold, waz inc) - lower threshold).

If gross other earnings < €1096.67 (2001, 1998: 1,096.64) (*maxbase1*): other earnings not taken into account,
lower threshold = 1096.67 (2001, 1998: 1,096.64), upper threshold = €3176.5 (2001, 1998: 3,176.46) (*maxbase2*)

If gross other earnings > € 1096.67 (2001, 1998: 1,096.64) & < € 3588.75 (2001: 3,326.10; 1998: 2,970.79) (*empY_upper_lt*): no waz-contribution if waz income < gross other earnings;

lower threshold = gross other earnings if waz inc > gross other earnings (upper thr remains €3176.5 (2001: 3,176.46))

(In 1998: If gross other earnings > 2,970.79: lower threshold = 2,970.79 (upper thr: 3,176.46))

(Amounts in €month)

The contribution is tax-deductible: it has to be subtracted like other subtractions. It was not relevant for the earnings transfer allowance (abolished in 2001), since this was not received on self-employment income.

2.2.4 Employer contributions to disability insurance (*ERSICdi_NL*)

Employers of employees in the private sector aged below 65 (*age_thresh*) pay, on average, a total contribution of 7.4% (2001: 7.76%; 1998: 7.85%) (*rate2*) on wages with a wage limit of € 3588.75 (2001: 3,326.10; 1998: 2,970.79) (*maxbase2*) per month. For public sector employees rules are the same (1998: rather similar).

The income basis for the employer contribution to disability insurance (*DIersic_base*) is the same as for the employee contribution to unemployment insurance.

2.2.5 Employee contributions to health insurance (*EESIChi_NL*)

Employees in the private sector with earnings below a threshold pay contributions to the statutory health insurance. The same holds for persons with earnings replacing benefits and pensioners. For employees in the public sector there are several health insurance systems which are fairly comparable to the statutory health insurance for the private sector. In contrast to the employee contributions to unemployment insurance these contributions are not income tax deductible.

Employees with earnings (gross, but net of occupational pension contributions and 'spaarloon') below €2645.83 (2001: 2,484.45; 1998: 2,352.09) (*limit*) per month pay a contribution of 1.7% (2001: 1.7%; 1998: 1.2%) (*rate*) over earnings up to €2414.25 (2001: 2,230.56; 1998: 2,003.55) (*maxbase*) per month. The same contribution is due over earnings replacing social insurance benefits (*ZFWeesic_Base*).

It should be noted that people with incomes above *limit* generally take out private health insurance. In contrast to the simulated public health insurance contribution *co_hi_eesic* discussed in this section, private health insurance contributions are not taken into account in the calculation of disposable income in EUROMOD.

Persons aged 65 or over (*age_thresh*) may be insured if their total earnings are below € 1683 (2001: 1,580.67; 1998: 1,495.58) (*oldage_limit*) per month or if they were insured before reaching the age of 65. They pay 8.45% (2001: 7.95%; 1998: 6.8%) (*rate_statepen*) over the state pension (*statepen*) and 6.45% (2001: 5.95%; 1998:

4.8%) (*rate_prvpen*) over other income from or in relation with work (i.e. supplementary occupational pensions).

Persons younger than 65 receiving an early retirement pension can remain insured if they were insured while at work⁴.

In addition, insured persons pay a fixed amount of € 29.67 (2001: 12.25; 1998: 8.17) (and twice this amount if their spouse has no earnings) per month (*zfwamount*) on average.

2.2.6 Employer contributions to health insurance (*ERSIChi_NL*)

Employers whose employees aged less than 65 (*age_thresh*) are insured via the statutory health insurance pay the employer contribution to health insurance. The same holds for the agencies paying earnings replacing benefits. Employer contributions to health insurance are taxable.

The employer contribution rate is 6.75% (2001: 6.25%; 1998: 5.6%) (*rate*). It applies to the same earnings (*ZFWersic_base*) as the employee contribution, with the same limits (*limit, maxbase*).

2.2.7 Self-employed contributions to health insurance (*SESIChi_NL*)⁵

As of January 2000, self-employed persons with low taxable income have to insure via the statutory health insurance. Specifically, the statutory health insurance contribution applies in 2003 (2001) if the average taxable income in the three years 1998, 1999 and 2000 (1996, 1997 and 1998) was below €20200 (2001: 19,058.77) (*le_inc2_lt*). If taxable income is highly unstable, the calculation of the average may be done leaving out the lowest income. The contribution is 8.45% (2001: 7.95%) (*rate1*) of taxable income in boxes 1, 2 and 3 (with an upper limit of €20200 (2001: 19,058.77) (*band1*)). In addition, insured persons pay a fixed amount of € 29.67 (2001: 12.25) (*amount1*) per month on average (and twice this amount if their spouse has no taxable income).

Any employee and employer contributions to health insurance paid by or on behalf of the self-employed person involved, are deducted from the self-employed contribution.

2.2.8 Earnings transfer allowance (*ITeta_NL*)

As of 1 January 2001, the earnings transfer allowance has been abolished. The remainder of this section describes the situation in 1998.

The earnings transfer allowance ('*overhevelingstoelag*') was devised to compensate employees for the fact that certain social insurance contributions were transferred from the employer to the employee (as of 1990). It can be viewed as a negative social insurance contribution. It is paid by the employer to the employee.

⁴ They pay the employee contribution whilst the employer contribution is usually paid by the pension fund.

⁵ This section was not included in the 1998 version of this country report.

The e.t.a. amounts to 1.7% (*eta_rt*) of the e.t.a. basis up to € 3,047.89 (*eta_max_base*) per month (i.e. at most €51.81 per month); it is only paid to persons aged less than 65 (*age_thresh*).

The e.t.a. basis equals the basis for the income taxation and peoples' insurance contributions as observed by the employer, i.e. without taking into account employee specific deductions. In other words it includes gross wages/benefits minus pension contributions, wage savings, employee contributions to unemployment insurance plus employer contributions to health insurance. This amount is reduced by a (preliminary) 'virtual' work/benefit deduction, amounting to € 39.06 (*benefit_ded*) in the case of benefits and 12% (*prof_ded_rt*) with a minimum of € 9.53 (*prof_ded_min*) and a maximum of € 117.53 (*prof_ded_max*) in the case of earnings (*eta_workY*). The benefits giving rise to an e.t.a. include most earnings replacing benefits for persons younger than 65, including early retirement pensions, but excluding survivor benefits (*eta_benY*).

2.2.9 Peoples' insurances (*EESICpi_NL*)

The so-called peoples' insurances or national insurances include the State pension insurance (AOW), the Survivor benefit insurance (ANW) and the General act on special health care costs (AWBZ). All income tax payers also contribute to these insurances and the taxable income (before 2001: net of tax free allowances) (see par. 2.3) also acts as the basis for the calculation of these contributions (*PIeesic_Base*).

The contribution rates are:

AOW 17.9 % (2001: 17.9%; 1998: 18.25%)

ANW 1.25 % (2001: 1.25%; 1998: 1.4%)

AWBZ 12.05 % (2001: 10.25%; 1998: 9.6%)

Hence, the total contribution amounts to 31.2 (2001: 29.4%; 1998: 29.25%) (*pi_rt*).

Persons aged 65 (*pi_age_thresh*) or older do not pay AOW contributions, so their contribution rate is 13.3% (2001: 11.5%; 1998: 11%) (*pi_age_rt*).

The maximum base for the calculation of these contributions is € 28850 (2001: 27,009.00; 1998: 21,411.17) per year or €2404.17 (2001: 2,250.75; 1998: 1,784.26) per month (*pi_maxbase*). Note that tax credits (as from 2001, section 2.3.3) apply to income tax and peoples' insurance contributions as a whole.

2.3 Income taxation

In general, the tax unit for income taxation is the individual. Income of other members in the household is taken into account in the calculation of the income tax credits (section 2.3.3) (before 2001: tax free allowances). It is also important for the decision who is paying taxes on components of household income such as imputed income from owner-occupied housing, (and before 2001: interest and dividend income), and for the decision who can deduct expenditures such as mortgage interest, gifts etc. In the latter case, there is a difference between the treatment of married couples and other persons living together. In the case of married couples all non-personal income components and deductions are attributed to the individual with the highest personal income. Unmarried persons living together each add/deduct their own share in these components. Registered partnerships are counted as married couples.

As of 1 January 2001, a new tax system was introduced. The main differences with the old system are the introduction of tax credits instead of tax free allowances, and the introduction of the so-called box system. In this system three separate categories of income are taxed separately:

Box 1. Income from work and house (including benefits)

Box 2. Income from considerable interest (income received by shareholders owning more than 5% of the shares in a company) (ignored in Euromod)

Box 3. Income from saving and investment

2.3.1 Income components subject to income tax

Box 1.

Included in the income tax base are personal income components such as earnings from labour, (earnings replacing) benefits and pensions. If an employee drives a car provided by the employer, 20% of the catalogue value of the car is to be added (24% if the distance between home and work is more than 30 km). This component of taxable income is not modelled within Euromod, but read directly from the data (variable *nlcarinc*).

Income from abroad is also included in the tax base, but usually to the extent that it had not been taxed abroad.

Alimony received from the ex-spouse (not: alimony paid for the maintenance of children) is taxable as well.

Next to these personal income components, the tax base also includes imputed income from owner occupied housing, and some categories of allowances from life insurances.

Before 2001, the tax base also included interest and dividend income, income from letting or sub-letting one's owned or rented house and other income from immovable property and other property income. If income from property, dividends and interest income was received by children aged below 18, it was also included in the tax base of the parent (in the case of a married couple: the parent with the highest personal income).

Imputed income from owner occupied housing (per year) is calculated as a percentage of the value of the house as determined by the Act on Immovable Objects (WOZ).

The following percentages are used:

- 0% if the WOZ-value is not higher than €12,500 (1998: 11,344.51)
- 0.3% (1998: 0.5%) if the WOZ-value is higher than €12,500 (1998: 11,344.51) but not higher than €25,000 (1998: 22,689.01)
- 0.45% (1998: 0.75%) if the WOZ-value is higher than €25,000 (1998: 22,689.01) but not higher than €50,000 (1998: 45,378.02)
- 0.6% (1998: 1%) if the WOZ-value is higher than €50,000 (1998: 45,378.02) but not higher than €75,000 (1998: 68,067.03)
- 0.8% (1998: 1.25%) if the WOZ-value is higher than €75,000 (1998: 68,067.03).

The maximum amount of imputed income from owner occupied housing is €8,200 (2001: 7,800; 1998: 7,623.51). This component of taxable is not modelled within Euromod but read directly from the data (variable *nlimprnt*).

2.3.2 Income tax deductions (*ITded_NL*)

From personal income (earnings, benefits, pensions) the amounts to be paid as occupational pension contributions, tax-exempt savings ('spaarloon'), and employee contributions to unemployment insurance are deducted. However, employer contributions to health insurance are taxable and should be added. Before 2001, the earnings transfer allowance is also part of personal taxable income.

Before 2001, from the resulting amount (if applicable: including income from employer provided car) employees could deduct a fixed percentage as professional deductions: 12% (*prof_ded_rt*) with a minimum of €9.53 (1998) (*prof_ded_min*) and a maximum of €117.53 (1998) (*prof_ded_max*) per month. Next to earnings, these percentages were valid for wage replacing benefits in the case of sickness (*workben_ded_workY*). For (other) benefits arising from previous earnings and pensions (*workben_ded_benY*), a fixed deduction (overall, not per benefit) of €39.06 (1998) (*bnft_ded_amt*) applied. If the tax-payer had income from both current and previous earnings, the maximum of both deductions was applied.

The separate deduction for self-employment income, including profit from own enterprise (*selfempY*) is maintained in the 2001 tax system (Self-employment income did not qualify for the professional deduction). In 2003, the following deduction schedule applies:

	if higher than (€/year)	up to	deduction (€)
<i>lower_lt1</i>	0	12550	<i>ded_amt1</i> 6430
	12550	14555	5978
	14555	16570	5527
	16570	47455	4926
	47455	49460	4496
	49460	51475	4021
	51475	53480	3548
	53480		3119

Mortgage interest payments (*coMORINT*) for (all) owned dwellings are fully tax deductible (from 2001 : in Box 1).

Before 2001, of interest income the first € 453.78 (*tfa_interestY*) were not taxed (Euromod policy: *polITtfa_NL*). For married couples, the tax free amount was € 907.56. The interest income of children below 18 was not taxed to the extent that it was lower than €226.89 per child. The remainder was still untaxed to the extent that, added to the interest income of the parent(s) the amount of €453.78 (married couples: 907.56) was not exceeded. For dividend income, tax free amounts (*tfa_dividendY*) and arrangements were the same as those for interest income. Notably, for married couples, interest and dividend income were attributed to the individual with the highest (individual) income (*tfa_base*, Policies: *ITintYattrib_NL*, *ITdivYattrib_NL*).

Alimony paid to the former spouse (not: alimony paid for the maintenance of children) is fully tax deductible.

Deductions not taken into account in Euromod:

Several types of life-insurance premiums could be deducted before 2003; in most cases the deduction was limited to a total of € 1,035.98 in 2001 (1998: 2,699.99; 5,399.98 for the higher earning spouse in a couple).

Gifts to charity are tax-deductible within certain limits, as are exceptional expenses related to health care, adoption, child birth, death etc. Separate limits determine the tax deduction for child care costs and expenses for studies for a profession. In addition, expenditures for the cost of living of children and other relatives may under specific conditions (a.o. no entitlement to child benefits) be tax deductible.

2.3.3 Income tax credits (*ITtc_NL*)

The amount resulting from adding all taxable income components and subtracting all deductions described in the previous section is called taxable income (in Box 1), upon which the tax schedule as described in section 2.3.5 is applied. In addition, (imputed) taxable income from saving and investing (Box 3) is taxed with a constant rate of 30%. However, tax credits are deducted from the full amount of taxes (and peoples' insurance contributions, 2.2.9).

The tax credits may consist of several components:

- general tax credit

All tax payers receive a general tax credit of € 1766 (2001: 1,575.98) per year or € 147.17 (2001: 131.33) per month (*amount1*). For persons aged 65 or more, the general tax credit is € 806 (2001: 704.27) per year (€ 67.17 (2001: 58.69) per month). In contrast to the former tax free allowances (section 2.3.4) which were partly transferable between spouses, the tax credits are not transferable. However, the general tax credit is also paid to a spouse with a low (or zero) income if his/her spouse pays income tax and peoples' insurance contributions. In that case the tax credit is not higher than the amount of income tax and peoples' insurance contributions paid by the spouse (after deducting his/her own tax credits): total tax/contributions paid by a couple is never negative.

- work credit

Tax credit on income from work (including self-empl. Income): normally, at most € 1104 (2001: 919.81) per year (65+: €826; 2001: 411.12 per year).

The work credit amounts to 1.725% (2001: 1.751%) (*rate1*) on the first €8001 (2001: 11,897.66) (*band1*) of income from work (*eta_workY+selfemY*) plus 10.7% (2001: 10.751%) (*rate2*) of the remainder; the maximum amount being € 1104 (2001: 919.81) (*up_lt*).

In 2003, the work credit for persons aged 57 and over was increased, in order to stimulate labour force participation in the age group concerned. The relevant amounts and percentages are included in the following table.

age	rate2	up_lt
57, 58, 59	13.7%	1339
60, 61	16.7%	1574
62, 63, 64	19.6%	1809

For persons aged 65 or over, the work credit is 0.798% (2001: 0.782%) on the first € 8001 (2001: 11,897.66) of income from work plus 8.94% (2001: 4.8%) of the remainder, with a maximum of €826 (2001: 411.12 per year).

- child credit

Presence of a child aged below 18 (2001: below 16) gives rise to child credit of €41 (2001: 38.12) (*amount1* – *amount2*) (65+: € 20, 2001: 16.79) per year for single parent or spouse with highest taxable income if total taxable income of s.p./couple < € 58214 (2001: 54,508.53) per year (*band_start3*).

- supplementary child credit

Presence of child aged < 18 (2001: below 16) gives rise to supplementary tax credit of €354 (2001: 191.95) (65+: €163, 2001: 86.22) per year for single parent or spouse with highest taxable income if total taxable income of s.p./couple < €29108 (2001: 27,250.86) per year (*band_start2*). In 2003, an additional € 180 (65+: € 81) is awarded if total taxable income of s.p./couple is below €27438. This amount of €180 (65+: €81) is increased by €63 (65+: €30) if there are 3 or more children aged < 18 present.

- combination credit

If child present < 12 and (earnings from paid employment > €4206 (2001: 3,937.90) (*le_incl_lt*) per year or self-emp. Inc. > 0) a combination credit of € 214 (2001: 137.95) (*amount1*) (65+: € 81, 2001: 61.71) per year is received (both working spouses can receive combination credit)

- single parent credit

Amount: €1348 (2001: 1,261.06) (*amount1*) per year (65+: € 615, 2001: 563.60 per year)

Conditions:

the tax payer was unmarried or lived separated for more than 6 months in 2003 (2001).

the tax payer lived in a household with only his own children (including step-children, foster-children) who were all younger than 27 on 1 January 2003 (2001).
the tax payer contributed to an important extent (at least €386 (2001: 358.94) per 3 months) to the cost of living of at least one of these children and/or was entitled to child benefit.

- supplementary single parent credit

Amount:

4.3% (*rate1*) of (taxable) income from work (*lp_tfa_Y*) outside the household (including income from employer provided car). The supplementary single parent credit is not higher than €1348 (2001: 1,261.06) (*up_lt*) per year (65+: €615, 2001: 563.60 per year (*tfa_LP12_max*)).

Conditions:

the tax payer was entitled to the single parent credit.

one of the children was younger than 12 (*ge_nch_age1_max*) on 1 January 2003 (2001).

the tax payer had income from work outside the household.

- old age credit

Tax payers aged 65 or over (*age_thresh*) on 31 12 2003 (2001) are entitled to an additional tax credit : € 346 (2001: 235.97) (*ded_low_inc*) per year if taxable income ('verzamelinkomen') is lower than € 29592 (2001: 27,704.19) per year (*inc_threshold*).

-supplementary old age credit

Tax payers entitled to an old age credit and to the state pension for single persons (section 2.1.3) obtain the supplementary old age credit of € 242 (2001: 248.22) (*sing_ded_low_inc*) per year next to the old age credit.

Tax credits not taken into account in Euromod

- young disabled credit

Persons receiving the benefit for young disabled persons 'wajong' are entitled to the young disabled credit of €518 (2001: 484.18) per year

- temporary increase of the general tax credit

To mitigate the effect of the new tax system for persons with low incomes who did not pay income tax in the old system, the general tax credit is increased. This increase is gradually phased out during the next five years.

- credit for investment in venture capital, and green/ethical investment funds

Some categories of investments which are normally subject to the new capital gains taxation are tax exempt up to certain limits.

2.3.4 Pre-2001 Income tax free allowances (*ITtfa_NL*)⁶

⁶ The amounts and dates in this section apply to the fiscal year 1998.

The amount resulting from adding all taxable income components and subtracting all deductions and tax free amounts described in the section 2.3.2 was called taxable income. However, no taxes (and peoples' insurance contributions, 2.2.9) were levied on part of taxable income, the so-called tax free allowance.

The tax-free allowance depended on the "tariff group" to which the tax payer belonged.

"Tariff groups":

1: tax free allowance €186.05 per year (15.51 per month, *basic_tfa_amt*) if basic tax free allowance was transferred to spouse or housemate (who is classified in tariff group 3).

2: tax free allowance €186.05 + 3,724.17 = 3,910.22 per year (this was the 'default' tariff group): 15.51 (*basic_tfa_amt*) + 310.02 (*sing_tfa_amt*) per month.

3: tax free allowance €186.05 + 3,724.17 + 3,724.17 = 7,634.40 per year if spouse or housemate transferred his/her basic allowance of €3,724.17.

The basic allowance could be transferred to spouse/housemate if the person had a taxable income below €3,724.17 and the couple was married for more than 6 months during the tax year. In the case of unmarried couples/housemates additional conditions applied (In Euromod, these conditions were not assumed to be fulfilled, only married couples were assumed to be eligible: tax unit *marrcouple*):

they lived in a common household for more than six months in 1998

they were registered at the same address during that period for more than six months

they were 18 years or older at 31 12 1997

the person with the lowest income was 27 years or older at 31 12 1997 or

the person with the lowest income was 18 years or older but younger than 27 at 31 12 1997, and did not depend to an important on his parents for more than six months in 1998 (depend to an important extent: parents contributed at least €25.41 per week in his cost of living)

If the couple was married for less than 6 months the basic allowance of the person earning less than €3,724.17 could still be transferred if the total period of being married and living together was more than 6 months and if the couple was registered at the same address during that period.

4: tax free allowance €186.05 + 3,724.17 (basic allowance) + 2,979.52 (single parent allowance) = 6,889.75 per year or €574.15 per month (*tfa_LP*)

Conditions:

the tax payer was unmarried or lived separated for more than 6 months in 1998.

the tax payer lived in a household with only his own children (including step-children, foster-children) who were all younger than 27 on 31 12 1998.

the tax payer contributed to an important extent (at least €25.41 per week) to the cost of living of at least one of these children and/or was entitled to child benefit.

the tax payer did not have income from work outside the household or none of the children was younger than 12 (*lp_crit_chage*) on 31 12 1997.

5: tax free allowance €6,889.75 + supplementary single parent allowance: 12% (*tfa_LP12*) of (taxable) income from work (*lp_tfa_Y*) outside the household (including

income from employer provided car). The supplementary single parent allowance was not higher than €2,979.52 per year or 248.29 per month (*tfa_LPI2_max*)

Conditions:

- the tax payer was unmarried or lived separated for more than 6 months in 1998.
- the tax payer lived in a household with only his own children (including step-children, foster-children) who were all younger than 27 on 31 12 1998.
- the tax payer contributed to an important extent (at least €25.41 per week) to the cost of living of at least one of these children and/or was entitled to child benefit.
- one of the children was younger than 12 (*lp_crit_chage*) on 31 12 1997.
- the tax payer had income from work outside the household.

Old age deductions:

Tax payers aged 65 or over (*age_thresh*) on 31 12 1998 were entitled to an additional tax free allowance: €226.89 per year or 18.91 per month (*ded_high_inc*). The old age deduction was €891.68 per year or 74.31 per month (*ded_low_inc*) if taxable income (*taxableYI*) was lower than € 25,321.39 per year or 2,110.11 per month (*inc_threshold*).

Tax payers entitled to an old age deduction and to the state pension for single persons (section 2.1.3) obtained the supplementary old age deduction of €18.91 per month (*sing_ded_high_inc*) next to the old age deduction. The supplementary old age deduction was €108.94 per month (*sing_ded_low_inc*) if taxable income was below € 2,110.11 per month (*inc_threshold*).

2.3.5 Income tax schedule (*ITschedule_NL*)

The income tax schedule, applied to taxable income minus all deductions in Box 1 is as follows:

tax band			tax-rate
1	0	15883 per year, 1323.58 per month, <i>tax_band1</i>	<i>tax_rate1</i> : 1.7%
2	15883	28850 per year, 2404.17 per month, <i>tax_band2</i>	<i>tax_rate2</i> : 7.2%
3	28850	49464 per year, 4122 per month, <i>tax_band3</i>	<i>tax_rate3</i> : 42%
<i>nbands</i> : 4	49464	<i>tax_band4</i>	<i>tax_rate4</i> : 52%

In 2001, the schedule was:

tax band			tax-rate
1	0	14,869.92 per year, 1,239.16 per month, <i>tax_band1</i>	<i>tax_rate1</i> : 2.95%
2	14,869.92	27,009.00 per year, 2,250.75 per month, <i>tax_band2</i>	<i>tax_rate2</i> : 8.2%
3	27,009.00	46,309.18 per year, 3,859.06 per month, <i>tax_band3</i>	<i>tax_rate3</i> : 42%
<i>nbands</i> : 4	46,309.18	<i>tax_band4</i>	<i>tax_rate4</i> : 52%

The income in the first two tax bands (up to €2404.17 (2001: 2,250.75) per month) is also subject to peoples' insurance contributions (see section 2.2.8).

Box 2

Income from considerable interest is taxed with a flat rate of 25%. In Euromod, information on this income component is not available.

Box 3

Income from capital is generally taxed in Box 3. For that purpose assets (savings, shares, value of 2nd accommodation etc) minus max (0, debts minus €2600 (2001: 2,499.88)) are calculated on January 1 and December 31 and averaged. (Mortgages on owned (1st) accommodation are excluded from debts but mortgage interest is taken into account in Box 1). From this taxable asset base a tax free asset allowance is deducted. The remaining taxable amount (if positive) is assumed to have generated a taxable income of 4%, with a tax rate of 30% (or 1.2% of the taxable amount).

The general tax free asset allowance is €18800 (2001: 17,599.87). For minor children (aged less than 18) an additional tax free asset allowance of €2510 (2001: 2,349.22) is awarded. Couples may choose which part of their assets is reported by which spouse. They can also transfer the full amount of tax free asset allowance to their spouse. Only one of them is entitled to the asset allowance for minor children.

Persons older than 65 on December 31 are entitled to an additional asset allowance.

The old age allowance is zero if the taxable asset base exceeds €248812 (2001: 232,943.99) or if taxable income in Box 1 exceeds €17694 (2001: 16,564.79). If income in Box 1 is between €12718 (2001: 11,905.83) and €17694 (2001: 16,564.79), the old age allowance equals (2001: 50% of) the average taxable asset base minus the general tax free asset allowance and the asset allowance for minor children, but at most €12443 (2001: 11,648.08). If income in Box 1 is below €12718 (2001: 11,905.83), the maximum old age allowance is €24886 (2001: 23,296.17).

In 1998, the income tax schedule, applied to taxable income minus all tax free allowances (*taxableY*) was as follows:

tax band		tax-rate
1	0 21,411.17 per year, 1,784.26 per month, <i>tax_band1</i>	<i>tax_rate1</i> : 7.1%
2	21,411.17 47,090.59 per year, 3,924.21 per month, <i>tax_band2</i>	<i>tax_rate2</i> : 50.0%
<i>nbands</i> : 3	47,090.59 <i>tax_band3</i>	<i>tax_rate3</i> : 60.0%

The income in the first tax band (up to €1,784.26 per month) was also subject to peoples' insurance contributions (see section 2.2.8).

3. Data

Updating factors

	w1	w2
default	1.223	1.127
coEMPY	1.248	1.1408
coSLFEMY	1.248	1.1408
coPRVPEN	1.248	1.1408
coINVY	1.369	1.06
coPROPY	1.369	1.06
nIBENwwu	1.248	1.1408
nIBENwgu	1.248	1.1408
nIBENwao	1.248	1.1408
nIBENipn	1.248	1.1408
nIBENZwu	1.248	1.1408
nIBENaaw	1.273	1.1767
nIBENubz	1.273	1.1767
coPENCON	1.248	1.1408
coMORINT	1.245	1.084
coRENT	1.245	1.084
nISPLOON	0.855	0.806
nICARINC	1.068	1.058
nIINT	1.369	1.06
nIMEDPRI	1.725	1.357
coIMPRNT	1	1